EDA RLF Proposed Changes
Regulatory and Risk-Based Management
November 15, 2016
✓ Overview of RLF Program

✓ Categories of Proposed Changes

✓ What Will Not Change

✓ Q&A and Contact Information

❖ Please use the webinar chat feature to submit questions or comments at any point during the webinar.
EDA RLFs established for lending. – Economic Adjustment Assistance Grants to capitalize or recapitalize RLFs most commonly fund business lending, but may also fund public infrastructure or other authorized lending activities. [see 13 CFR § 307.7]

- Approximately 800 EDA-funded RLFs nationwide
- EDA investment of $550M
- Combined capital base of about $813M
- Current Total Available for Lending – $250M
Online: www.regulations.gov

Search for the NPRM by typing the RIN number, 0610-AA69, in the search box. Click the “Comment Now” button to submit a comment.

Email: regulations@eda.gov

In the subject line of the message include “Comments on EDA’s regulations” and “Docket No. 160519444-6444-01”.

Fax: (202) 482–5671.

On the cover page, please indicate “Attention: Office of Chief Counsel, Comments on EDA’s regulations,” and “Docket No. 160519444-6444-01”

Mail:
Office of the Chief Counsel, Economic Development Administration
U.S. Department of Commerce
1401 Constitution Avenue NW, Suite 72023, Washington, DC 20230.

Please indicate “Comments on EDA’s regulations” and “Docket No. 160519444-6444-01” on the envelope.

Comments DUE December 2!!
PROPOSED CHANGES

MANAGING RISK: Risk-Based Analysis Framework

REVISED DEFINITIONS: New and Revised Definitions

OTHER KEY CHANGES: Overview of Other Important Changes
MANAGING RISK: Risk-Based Analysis Framework
Managing Risk

CAMELS Approach: The CAMELS approach adopted by EDA will look at capital, assets, management, earnings, liquidity and strategic results of the Program.

Classification: The risk-based analysis system will use a series of metrics to classify Recipients into one of the 3 categories: A, B or C

Tailored Technical Assistance: EDA will allocate their effort to the “C” RLFs, in order to adequately address risk and build the Capital Base.
Allowable Cash Percentage – *Tool to better account for regional economic trends*:

- Removal of EDA’s current Capital Utilization Rate.
- Allowable Cash Percentage is a floating rate that will be defined by each Regional office.
- Allowable Cash Percentage target rates will be updated, regionally, on an annual basis.
### Managing Risk

The table below shows the available cash for lending and the cash percentage for each RLF.

<table>
<thead>
<tr>
<th>RLF Name</th>
<th>Capital Base</th>
<th>Cash Available</th>
<th>Cash Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>RLF-1</td>
<td>$4,500,000</td>
<td>$1,200,000</td>
<td>27%</td>
</tr>
<tr>
<td>RLF-2</td>
<td>$7,600,000</td>
<td>$2,800,000</td>
<td>37%</td>
</tr>
<tr>
<td>RLF-3</td>
<td>$1,670,000</td>
<td>$630,000</td>
<td>38%</td>
</tr>
<tr>
<td>RLF-4</td>
<td>$13,872,930</td>
<td>$2,974,025</td>
<td>21%</td>
</tr>
<tr>
<td>RLF-5</td>
<td>$5,423,000</td>
<td>$900,000</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Regional Total</strong></td>
<td><strong>$33,065,930</strong></td>
<td><strong>$8,504,025</strong></td>
<td><strong>26%</strong></td>
</tr>
</tbody>
</table>

Total RLF Cash Available for Lending = $8,504,025
Total of All RLF Capital Base Amounts = $33,065,930

$8,504,025 ÷ $33,065,930 = 26% Allowable Cash Percentage
Updates

★ Implement the UNIFORM GUIDANCE:

2 CFR Part 200

Reorganization

★ Clarify the phases of an RLF

★ Reorganize compliance provisions
PROPOSED CHANGES

REVISED DEFINITIONS: New and Revised Definitions
Revised Definitions

- Disbursement Phase
- RLF Capital Base
- RLF Cash Available for Lending
- Allowable Cash Percentage
- Risk Analysis System
- RLF Recipient
- Voluntarily Contributed Capital
Revised Definitions

★ Recapitalization Grants

★ RLF Income

★ Reporting Period
OTHER KEY CHANGES: Overview of Other Important Changes
Other Key Changes

- Eliminate the Income and Expense Statement
- Report Certification
- Legal Certification Regarding Loan Documents
- Clarify Requirement for Bank Turn-Down Letter
- Fidelity Bond Coverage
- Adequacy of Accounting System and Loan Documents
Other Key Changes

- Expansion of Types of Funds for Leveraging an RLF
- Clarifying the Use of Loan Loss Reserves
- Prohibitions on Use of RLF Cash
- Sequestration
What Will NOT Change

- FEDERAL CHARACTER OF RLF FUNDS
- OUR COMMITMENT TO YOU
QUESTIONS??

Thank you.

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Submit Comments

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